

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-04

EA-06 FRB-01 INR-05 IO-04 NEA-06 NSAE-00 RSC-01

OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-01 SIL-01 SWF-01

OMB-01 FEA-01 AEC-05 DODE-00 FPC-01 H-01 INT-05 L-01

NSC-05 PM-03 SAM-01 OES-02 SS-15 STR-01 PA-01 PRS-01

USIA-06 OIC-02 /107 W

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FM USMISSION OECD PARIS

TO SECSTATE WASH DC PRIORITY 4137

C O N F I D E N T I A L SECTION 01 OF 02 OECD PARIS 25913

E.O. 11652: GDS

TAGS: ENRG, OECD

SUBJECT: HLG HEADS OF DEL MEETING, OCTOBER 30:

OECD-OPEC CONTACTS

REF: USOECD 4212, FEBRUARY 16, 1974

1. BEGIN SUMMARY. SEC GEN VAN LENNEP CALLED MEETING OF HEADS OF DEL OF HIGH LEVEL GROUP (HLG) OCTOBER 30 TO BRIEF GROUP ON DEVELOPMENTS IN TECHRICAL LEVEL DISCUSSIONS BETWEEN OECD AND OPEC SECRETARIATS INITIATED EARLY THIS YEAR (REFTEL). SEC GEN SAID HE HAD INTENDED HOLD BRIEFING EARLIER. BUT RECENT PACE OF EVENTS HAD MADE THIS DIFFICULT. SEC GEN WAS ASSISTED BY GENERAL ECONOMICS ERANCH DIRECTOR MARRIS AND ENERGY DIRECTOR LANTZKE. END SUMMARY

2. SEC GER SAID HE HAD INITIATED DIALOGUE WITH OPEC BECAUSE OF HIS BELIEF THAT MECHANISM WAS NEEDED FOR PROVIDING PRODUCERS WITH ECONOMIC FACTS OF LIFE RE IMPACT OF INCREASED OIL PRICES ON WORLD ECONOMY.

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VAN LENNEP SAID HE AND OPEC SEC GEN KHENE HAD AGREED THAT MEETINGS SHOULD BE INFORMAL AND UNPUBLICIZED, AND

SHOULD FOCUS PRIMARILY ON ECONOMIC IMPLICATIONS OF ENERGY CRISIS.

3. MARRIS SAID INFORMAL WORKING LEVEL CONTACT WITH OPEC ACTUALLY HAD BEGUN AS FAR BACK AS END-JANUARY. WHEN HE HAD PROVIDED OPEC WITH INITIAL OECD ASSESSMENT OF IMPACT OF PRICE INCREASES. ORGANIZED INTER-SECRETARIAT DISCUSSIONS, HOWEVER, HAD NOT BEGUN UNTIL AFTER TWO SECGENS HAD AGREED ON GENERAL FRAMEWORK. AT FIRST OF ORGANIZED DISCUSSIONS, ON JULY 26. MARRIS HAD BRIEFED OPEC ECONOMISTS ON JUST-COMPLETED OECD ECONOMIC OUTLOOK FOR JULY 1974 (DEALING WITH EFFECT OF INCREASED OIL PRICES ON OECD ECONOMIES DURING FIRST HALF OF 1974). MARRIS SAID DISCUSSION HAD BEEN VERY ONE-SIDED, SINCE OPEC REPS APPEARED HAVE LIMITED EXPERTISE AND LITTLE INFO TO OFFER. OPEC REPS HAD INDICATED THAT MOST OF OPEC ANALYTICAL WORK WAS CONTRACTED TO OUTSIDE CONSULTANTS (MOSTLY EUROPEAN). MARRIS SAID ONLY SIGNIFICANT AREA WHERE OPEC SECRETARIAT INDICATED IT MIGHT BE ABLE PROVIDE USEFUL INFO CONCERNED OPEC COUNTRY PROJECTIONS OF INTERNAL DEVELOPMENT PLANS, AND IMPORT REQUIREMENTS OVER NEXT SEVERAL YEARS. OPEC SECRETARIAT ALSO HAD EXPRESSED INTEREST IN PROBLEMS THAT WOULD BE INVOLVED IN INDEXING OIL PRICES TO COSTS OF PRODUCERS' IMPORTS FROM CONSUMER COUNTRIES. BUT THEY APPEARED TO HAVE LITTLE GRASP OF HOW TO SET UP SUCH AN INDEX OR THE VERY DIFFICULT TECHNICAL ISSUES INVOLVED. MARRIS SAID NEXT SCHEDULED MEETING TO DISCUSS GENERAL ECONOMIC PROBLEMS WOULD BE HELD IN VIENNA ON OCTOBER 31. PRIMARY TOPIC FOR DISCUSSION AT THIS MEETING WILL BE INFLATION IN WESTERN ECONOMIES.

4. LANTZKE SAID ONLY MEETING HELD SO FAR FOCUSING ENTIRELY ON ENERGY WAS HELD ON OCTOBER 14 IN PARIS. OPEC REPS (REPRESENTING SIX PRODUCER COUNTRIES) AGAIN DID NOT APPEAR WELL INFORMED. THEY WERE, HOWEVER, QUITE INTERESTED IN BRIEFING HE GAVE ON OECD LONG-TERM ENERGY ASSESSMENT, AND APPEARED PARTICULARLY SURPRISED AT REPORT'S PROJECTIONS OF THE IMPACT OF THE \$9 CASE ASSUMPTION ON LEVEL OF OIL IMPORTS IN 1980'S. LANTZKE SAID OPEC REPS PRESSED HARD FOR ANOTHER MEETING IN
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NOVEMBER FOCUSING ON ENERGY. LANTZKE SAID HE HAD REFUSED TO AGREE TO NOVEMBER DATE, AGREEING ONLY TO GET IN TOUCH WITH SECRETARIAT SOMETIME DURING LATTER PART OF DECEMBER OR EARLY JANUARY.

5. MAJORITY OF HLG HEADS OF DEL (PARTICULARLY CANADA, FRANCE, JAPAN, AND ITALY) PRAISED SECRETARIAT FOR DEVELOPING DIALOGUE AT TECHNICAL LEVEL. AND STRONGLY SUPPORTED FURTHER CONTACTS. LK AMBASSADOR GALLAGHER, HOWEVER, STRUCK SOMEWHAT MORE CAUTIOUS NOTEPOINTING OUT THAT WHILE UK WELCOMED CONTACTS BETWEEN TWO

SECRETARIATS, HE FELT OECD SHOULD BE VERY CAREFUL TO
AVOID PROVIDING OPEC WITH STATISTICAL AMMUNITION WHICH
COULD BE USED AGAINST CONSUMER COUNTRIES. IN THIS
REGARD, HE SAID HE WAS SURPRISED THAT INFORMATION FROM
THE DRAFT LONG-TERM ENERGY ASSESSMENT HAD BEEN PROVIDED
WHEN REPORT DID NOT YET HAVE COUNCIL APPROVAL AND HAD
NOT BEEN PUBLISHED. (LANTZKE RESPONDED BY SAYING ONLY

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EA-06 FRB-01 INR-05 IO-04 NEA-06 NSAE-00 RSC-01

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NSC-05 PM-03 SAM-01 OES-02 SS-15 STR-01 PA-01 PRS-01

USIA-06 OIC-02 /107 W

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C O N F I D E N T I A L SECTION 02 OF 02 OECD PARIS 25913

THAT INFO WHICH HAD ALREADY LEAKED TO PRESS WAS GIVEN TO
OPEC.) GALLAGHER SUGGESTED THAT FROM NOW ON SECRETARIAT
SHOULD CONSULT MEMBER GOVERNMENTS BEFORE GIVING FURTHER
DATA TO OPEC. HE SAID TECHNICAL CONTACTS WERE REACHING
POINT WHERE THEY MIGHT BEGIN TO HAVE POLITICAL IMPLICA-
TIONS, AND SUGGESTED NO FURTHER DISCUSSIONS ON ENERGY BE
HELD AT LEAST UNTIL AFTER LTEA HAS BEEN MADE PUBLIC.
6. AMBASSADOR TURNER SAID HE SUPPORTED GALLAGHER'S
REMARKS. HE SAID IT SHOULD BE BORNE IN MIND THAT,

ALTHOUGH EFFORTS SHOULD BE MADE TO ENSURE RELATIONS BETWEEN OECD AND OPEC REMAIN CORDIAL, THIS RELATIONSHIP UNDOUBTEDLY WOULD BE SUBJECT TO SOME CHANGE IN COMING WEEKS AS RESULT OF ESTABLISHMENT OF IEP WITHIN OECD. FOR THIS REASON, HE RECOMMENDED THAT CONTACTS BE VERY LIMITED DURING IMMEDIATE FUTURE.

7. VAN LENNEP SAID HE AGREED WITH RESERVATIONS WHICH HAD BEEN EXPRESSED CONCERNING DISCUSSION OF ENERGY ISSUES WITH OPEC IN PERIOD AHEAD. HOWEVER, HE BELIEVED CONFIDENTIAL

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IT IMPORTANT THAT DISCUSSIONS ON GENERAL ECONOMIC PROBLEMS MOVE AHEAD IF OPEC IS TO HAVE ACCURATE DATA ON WHICH TO BASE ITS CALCULATIONS AND DECISIONS.

8. LANTZKE CONCLUDED BY SAYING IT VERY LIKELY THAT AS SOON AS MAJOR PART OF OPEC CCNSULTANTS' WORK COMPLETED, OPEC SECRETARIAT WILL SEEK OECD ASSISTANCE IN ANALYZING THESE REPORTS. LANTZKE SAID HE NEEDED MEMBER GOVERNMENT'S VIEWS ON HOW TO RESPOND TO SUCH REQUESTS. HE WOULD ALSO NEED GUIDANCE IN GENERAL ON HOW TO PROCEED WITH OPEC ON ENERGY ISSUES.

9. ACTION REQUESTED:

DEPARTMENT GUIDANCE REQUESTED ON POINTS RAISED BY LANTZKE.

10. (NOTE: DEPARTMENT MAY WISH TO RETRANSMIT THIS MESSAGE TO OTHER ADDRESSEES.)

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC COOPERATION, PETROLEUM, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 01 NOV 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974OECDP25913
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740313-0903
From: OECD PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741179/aaaacpdq.tel
Line Count: 200
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: USOECD 4212, FEBRUARY 16, 1974
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 28 MAR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <28 MAR 2002 by shawdg>; APPROVED <23 MAY 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: HLG HEADS OF DEL MEETING, OCTOBER 30: OECD-OPEC CONTACTS
TAGS: ENRG, OECD, OPEC
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005